

## Weak recovery in building permits could hinder future construction in the eurozone

The issuance of permits for new homes is a strong indicator for future building production. While they recovered in the last quarter of 2020 in the eurozone, they're still below pre-Covid levels and that's a cause of concern for future construction



+4.2%

New building permits

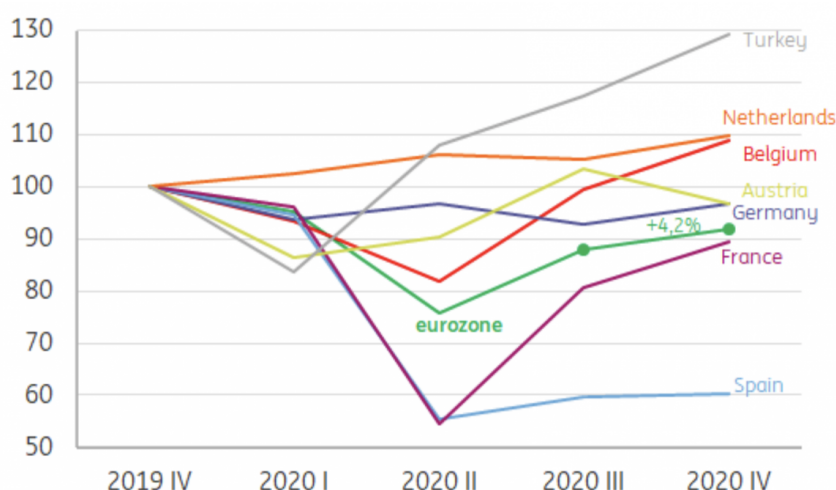
Eurozone, quarter-on-quarter

## Sharp recovery in France but no improvement in Spain

In France, there was a strong improvement in the number of issued permits for dwellings in the third and fourth quarter of 2020. Nevertheless, the number was still 10% below pre-Covid levels. Spain saw a similar fall as in France in the second quarter of last year but we haven't seen a sharp increase since. This has consequences as the low number of permits could hinder the completion of new homes this year and next, even as the coronavirus crisis fades and demand for housing increases.

## Eurozone permits for new homes are still below the pre-pandemic level

Building permits, number of new dwellings. Index 4Q 2019=100, seasonally adjusted



Source: Eurostat, ING

## Increasing number of new dwelling permits in Belgium, the Netherlands and Turkey

It was a slightly different story in Belgium and the Netherlands. Here, the number of permits issued for new homes was approximately 10% higher in the fourth quarter of 2020 than at the end of 2019. In the Netherlands, the number of permits had already started to decrease in 2019. This was due to new restrictive measures linked to environmental protection. Last year these were loosened and builders and real estate developers became more familiar with the new rules.

Turkey saw a further sharp recovery in the number of dwelling permits being issued. However, the level is still far below that of 2017 before the Turkish financial shock when it was about three to four times higher.

## Modest increase in non-residential permits

In the non-residential market, we see a somewhat comparable development in building permits in the fourth quarter of 2020. In the Netherlands and Turkey, the number of permits issued for the likes of factories, warehouses, schools and hospitals increased to more than pre-pandemic levels. There was a slight decline in Belgium and France after a strong recovery in the third quarter.

In Spain, the number of issued building permits for non-residential buildings increased in the fourth quarter but it's still almost 40% lower than at the same time in 2019. We saw a 2.9% increase in permits in this period in the eurozone as a whole but that's still below the pre-Covid level. Many offices are currently completely or partially vacant, as many staff work from home. Uncertainty about the future of working makes current investments in new offices risky.

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